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Message Text

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13
ACTION XMB-04

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 RSC-01 TRSE-00 OPIC-06 SP-02

CIEP-02 LAB-03 SIL-01 OMB-01 /051 W
---------- 083487
R 230245Z NOV 74
FM AMEMBASSY RANGOON
TO SECSTATE WASHDC 8819

UNCLAS RANGOON 3285

PASS EXIMBANK

E.O. 11652: N/A
TAGS: EAIR EFIN BTIO CM
SUBJ: REQUEST FOR EXIMBANK PRELIMINARY COMMITMENT TO FINANCE DC-9 SALE TO GUB

1. REPRESENTATIVES OF MCDONNELL DOUGLAS CORPORATION WERE IN RANGOON THIS PAST WEEK DEMONSTRATING A DC-9-30, WHICH IS BEING DELIVERED TO GARUDA AIRLINES, AND SPEAKING WITH APPROPRIATE GUB AND BURMA AIRWAYS CORPORATION OFFICIALS REGARDING SALE OF SIMILAR AIRCRAFT TO BURMA. GUB PLANS TO PURCHASE ANOTHER JET AIRCRAFT THAT COULD SERVE AS BACK-UP FOR ITS PRESENT BOEING 727, PROVIDE COMMERCIAL SERVICE TO MALAYSIA, SINGAPORE AND POSSIBLY JAKARTA, FERRY OIL COMPANY PERSONNEL FROM SINGAPORE TO RANGOON AND ALSO SERVE ON INTERNAL ROUTES.

2. PRESENTLY GUB SEEMS UNDECIDED BETWEEN DC-9 AND FOKKER F-28. BURMA AIRWAYS CHAIRMAN REPORTEDLY FAVORS F-28 PERHAPS BECAUSE IT CAN BETTER SERVE INTERNAL ROUTES (DC-9 HOWEVER PROVED ITS ABILITY TO LAND AT AKYAB IN RECENT DEMONSTRATION FLIGHT), BUT MOST OTHER AIRLINE AND GUB OFFICIALS EXPRESSED PREFERENCE FOR DC-9. U.S. PETROLEUM COMPANIES OPERATING IN BURMA ALSO PREFER DC-9 FOR USE IN FERRYING THEIR PERSONNEL BETWEEN SINGAPORE AND RANGOON. MAIN DECISION MAY HINGE ON FINANCING TERMS.

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3. EMBASSY UNDERSTANDS FRG PRESSURING GUB TO ACCEPT FAVORABLE

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FINANCING FOR F-28 PERHAPS AS PART OF AID PACKAGE. GUB OFFICIALS
REQUESTED DOUGLAS REPS TO RETURN WITH FINANCING PROPOSAL FOR DC-9.
THESE REPRESENTATIVES INTEND TO RETURN TO RANGOON ABOUT DECEMBER 10
AND AT THAT TIME THEY WOULD LIKE TO PRESENT PROPOSAL TO GUB THAT
INCLUDES PRELIMINARY COMMITMENT FOR EXIMBANK FINANCING OF 30 TO
35 PERCENT OF AIRCRAFT COST (VERY ROUGHLY $6 MILLION) AND GUARANTEES
FOR COMMERCIAL PORTION.

4. MCDONNELL DOUGLAS CORPORATION WILL SHORTLY REQUEST SUCH PRE-
LIMINARY COMMITMENT FROM EXIMBANK AND EMBASSY RECOMMENDS APPROVAL.
EXIMBANK FINANCING WOULD DEFINITELY ENHANCE PRESENT PROSPECTS OF
SALE OF U.S. COMMERCIAL JET AIRCRAFT TO BURMA AND SHOULD BURMESE
ECONOMIC CONDITIONS IMPROVE TO THE EXTENT THAT THE COUNTRY DESIRES
SUBSTANTIAL EXPANSION OF ITS INTERNATIONAL AIR FLEET, A SALE AT
THIS TIME WOULD HELP ASSURE FUTURE PURCHASES FROM U.S. SUPPLIERS
AS OPPOSED TO EUROPEAN AIRCRAFT MANUFACTURERS. USE OF AIRCRAFT
FOR FERRYING OIL COMPANY PERSONNEL FROM SINGAPORE ENHANCES
PROSPECTS THAT PLANNED SERVICE WILL BE PROFITABLE, AND ENSURES
THAT SOME OR ALL THE PURCHASE PRICE WILL BE OFFSET BY INCREASED
BURMESE FOREIGN EXCHANGE EARNINGS. PROPOSED LOAN WOULD BE
GUB FULL-FAITH-AND-CREDIT OBLIGATION. WHILE GUB DEBT SERVICE
BURDEN IS RELATIVELY HIGH, REPAYMENT RECORD IS GOOD AND WE CONSIDER
RISK OF DEFAULT TO BE SMALL.

5. FYI: ALTHOUGH WE HAVE HAD NO COMMUNICATION FROM BOEING,
EMBASSY HAS HEARD THAT REPRESENTATIVE FROM THAT FIRM MAY VISIT
RANGOON IN NEAR FUTURE TO DISCUSSS PROSPECTS FOR SALE OF AIRCRAFT.
IF GUB OFFICIALS EXPRESS ENOUGH INTEREST IN BOEING PLANE, THAT
FIRM MAY ALSO REQUEST SIMILAR EXIMBANK COMMITMENT FOR SALE
TO BURMA.
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Disposition Authority: n/a
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Film Number: D740340-0099
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